

MINUTE ITEM

11/17/66

19. APPROVAL OF AGREEMENT ON UNDERSTANDING AND APPROVAL OF CRUDE OIL SALES AGREEMENTS, P.R.C. 2207.1, PT. CONCEPTION FIELD, SANTA BARBARA COUNTY; PHILLIPS PETROLEUM COMPANY - W.O. 4128.

After consideration of Calendar Item 20 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION:

1. APPROVES THE CRUDE OIL SALES AGREEMENTS DATED FEBRUARY 1, 1962, FEBRUARY 7, 1962, AND THE AMENDMENT DATED JULY 14, 1962, BETWEEN PHILLIPS PETROLEUM COMPANY AND STANDARD OIL COMPANY OF CALIFORNIA, WESTERN OPERATIONS, INC., AS A BASIS FOR THE SALE OF THE STATE'S ROYALTY SHARE OF CRUDE OIL PRODUCTION UNDER LEASE P.R.C. 2207.1.
2. APPROVES THE "AGREEMENT ON UNDERSTANDING AND CLARIFICATION OF THE RIGHTS AND OBLIGATIONS OF PARTIES UNDER OIL AND GAS LEASE (P.R.C. 2207.1)", AND AUTHORIZES THE EXECUTIVE OFFICER TO EXECUTE SAID AGREEMENT.

Attachment

Calendar Item 20 (2 pages)

APPROVAL OF AGREEMENT ON UNDERSTANDING AND APPROVAL OF CRUDE OIL SALES AGREEMENTS, P.R.C. 2207.1, PT. CONCEPTION FIELD, SANTA BARBARA COUNTY; PHILLIPS PETROLEUM COMPANY - W.O. 4128.

State Oil and Gas Lease P.R.C. 2207.1, covering 3,840 acres of tide and submerged lands, issued on July 25, 1958, to Phillips Petroleum Company, Edwin W. Pauley, et al., pursuant to competitive public bidding, and currently held by Phillips Petroleum Company, Humble Oil & Refining Company, et al., provides, in part, that the lessee shall not sell or otherwise dispose of the royalty share of products produced from the lease except in accordance with approved sales contracts, or other methods first approved in writing by the State.

In order to define the terms of the lease, the Division and the lessee have prepared a proposed "Agreement on Understanding and Clarification of the Rights and Obligations of Parties Under Oil and Gas Lease (P.R.C. 2207.1)" (see Exhibit "A" attached), which clarifies certain rights and obligations under the lease with respect to the methods by which the lessee is to account to the State for royalties on oil and gas produced from the leased lands, and specifies the allowable deductions from royalty paid to the State for the cost of transporting royalty oil to onshore storage and transportation facilities. The agreement has been approved by the Office of the Attorney General.

Phillips Petroleum Company has submitted for approval crude oil sales letter agreements dated February 1, 1962, February 7, 1962, and an amendment dated July 14, 1962, between Phillips Petroleum Company and Standard Oil Company of California, Western Operations, Inc. The term of the agreements commenced on May 18, 1962, for a period of three years, and will continue thereafter until terminated by either party on six months' written notice to the other. Inasmuch as there are no posted prices for the quality of crude oil produced at this location, it is the staff's opinion that the sales prices received by Phillips were the current market prices at the well.

Phillips Petroleum Company has also submitted for approval a gas sales agreement dated January 20, 1961, and an amendment dated September 7, 1962, between Phillips Petroleum Company and Pacific Lighting Gas Supply Company covering the sale of gas produced from P.R.C. 2207.1. The sales price in the contract is related to the border price. The approval of this sales agreement is included in the proposed agreement on understanding and clarification.

IT IS RECOMMENDED THAT THE COMMISSION:

1. APPROVE THE CRUDE OIL SALES AGREEMENTS DATED FEBRUARY 1, 1962, FEBRUARY 7, 1962, AND THE AMENDMENT DATED JULY 14, 1962, BETWEEN PHILLIPS PETROLEUM COMPANY AND STANDARD OIL COMPANY OF CALIFORNIA, WESTERN OPERATIONS, INC., AS A BASIS FOR THE SALE OF THE STATE'S ROYALTY SHARE OF CRUDE OIL PRODUCTION UNDER LEASE P.R.C. 2207.1.

CALENDAR ITEM 20. (CONTD.)

2. APPROVE THE "AGREEMENT ON UNDERSTANDING AND CLARIFICATION OF THE RIGHTS AND OBLIGATIONS OF PARTIES UNDER OIL AND GAS LEASE (P.R.C. 2207.1)", AND AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE SAID AGREEMENT.